

STATE OF ILLINOIS

ILLINOIS COMMERCE COMMISSION

Illinois Commerce Commission	:	
On Its Own Motion	:	
	:	
-vs-	:	05-0749
	:	
Peoples Gas Light and Coke Company	:	
	:	
	:	
Reconciliation of revenues collected under	:	
gas adjustment charges with actual costs	:	
prudently incurred.	:	

**REPLY BRIEF ON EXCEPTIONS OF THE STAFF  
OF THE ILLINOIS COMMERCE COMMISSION**

Pursuant to Section 200.830 of the Illinois Commerce Commission's ("Commission") Rules of Practice (83 Ill. Adm. Code 200.830), Staff of the Illinois Commerce Commission ("Staff"), by and through its undersigned counsel, respectfully submits its Reply Brief on Exceptions to The Peoples Gas Light and Coke Company's ("Peoples Gas" or the "Company") Brief on Exceptions ("BOE") filed in response to the Administrative Law Judges' Proposed Order issued on November 5, 2007 ("Proposed Order"). Staff offers no reply to the BOE filed by the Citizens Utility Board/City of Chicago.

**I. ARGUMENT**

**A. Peoples Gas Exception 1 - Bank Gas Liability**

Peoples Gas' BOE presents no new argument for its position regarding why its "correction" to the bank gas liability balance should not be disallowed.

(Peoples Gas BOE, pp. 2-5.) Rather, the Company has merely repeated the same arguments which the Proposed Order properly dismissed by stating,

This situation, however, does not warrant making such an exception. The Commission finds that Staff and CUB-City have raised sufficient questions concerning the Company's internal accounting controls. (Proposed Order, p. 9.)

Staff's concerns regarding the Company's internal accounting controls and its full and complete response to the arguments in Peoples Gas' BOE can be found in Staff's Initial Brief. (See Staff Initial Brief, pp. 10-13.)

Peoples Gas acknowledges again, yet dismisses, its past lack of reconciliations (Peoples Gas BOE, p. 3, lines 54-56; p. 9, lines 190-191), while expecting the PGA ratepayers to make the Company whole for its mistakes. Peoples Gas further attempts to confuse pricing of the adjustment by stating that there is no evidence that the LIFO price is the incorrect way to value the bank gas liability. (Peoples Gas BOE, p. 6.) Staff did not take exception to LIFO pricing of the change in bank gas liability. However, as the Proposed Order properly notes, Peoples Gas has not shown why the current LIFO price should be charged to current customers for gas delivered over at least the last 14 years. (Proposed Order, p. 9.) Finally, Peoples Gas' hypothetical Scenarios 1, 2 and 3, and the resulting options (i) and (ii) (Peoples Gas BOE, pp. 7-8) are not new and have been considered and rejected by the Proposed Order (Proposed Order, pp. 9-10).

Accordingly, Staff believes it is neither appropriate nor necessary to change the language in the Proposed Order pursuant to any of Peoples Gas' three suggested alternatives (Peoples Gas BOE, Attachment A, pp. 1-6).

**B. Peoples Gas Exception 2 - Bank Gas Liability Prior Period Adjustment**

Peoples Gas' BOE presents no new argument for its position regarding the bank gas liability prior period adjustment. (Peoples Gas BOE, pp. 10-11.) Rather, it has merely repeated the same mantra that its out of period correction is appropriate despite the Commission Order and settlement of its FY 2004 PGA proceeding (Docket No. 04-0683). Notably, Peoples Gas suggests that it is not apparent why an Order on the merits of the FY 2004 proceeding would have been different from the settlement. (Peoples Gas BOE, p. 11, footnote 3.) Clearly, the adjustment at issue was not known at the time of the settlement and, therefore, not considered in the settlement. Now, with the evidence at hand, Peoples Gas attempts to maintain the benefits it reaped under the settlement, while exacting additional FY 2004 costs in the instant proceeding.

There is nothing in Peoples Gas' BOE that has not previously been considered in this proceeding. As such, Staff's full and complete response to the arguments in Peoples Gas' BOE can be found in Staff's Initial Brief. (See Staff Initial Brief, pp. 13-14.) Moreover, the Proposed Order has considered Peoples Gas' claim, weighed with the evidence, and found in favor of Staff. (Proposed Order, p. 11.) Accordingly, Staff believes it is neither appropriate nor necessary to change the language in the Proposed Order pursuant to Peoples Gas' suggested replacement language (Peoples Gas BOE, Attachment A, p. 6).

### **C. Peoples Gas Exception 3 - Findings, Ordering Paragraphs and Appendix A**

Peoples Gas requests that Finding (5), the second Ordering paragraph, and Appendix A to the Proposed Order be revised to reflect the Company's desired conclusions regarding its bank gas liability. (Peoples Gas BOE, p. 13; Attachment A, pp. 6-8.) Since Staff does not believe the conclusions in the Proposed Order should be changed regarding Peoples Gas' bank gas liability, Staff believes that the Company's proposed changes should be rejected.

### **D. Peoples Gas Exception 4 – Findings (5) and (6)**

Peoples Gas believes that Findings (5) and (6) are in error and should be revised, irrespective of how the bank gas liability issue is resolved. (Peoples Gas BOE, pp. 13-14.) Staff agrees that Findings (5) and (6) as currently written could result in the confusion that Peoples Gas suggests. However, Staff disagrees with Peoples Gas' suggested replacement language which uses two amounts of Factor O in the Findings Paragraphs (Peoples Gas BOE, Attachment A, p. 6), since this also could be confusing and misunderstood in the future.

Therefore, Staff recommends the following replacement language for Finding (6) on page 23 of the Proposed Order:

- (6) ~~except as provided in Paragraph (5),~~ the Commission approves Peoples Gas Light and Coke Company's reconciliation statement as reflected in Appendix A to this Order; and

**E. Peoples Gas Exceptions 5 and 6**

Peoples Gas suggests changing a reference from “16 years” to “14 years” on page 9, correcting the Company’s name on several pages, and making “Administrative Law Judges” plural on page 1 of the Proposed Order. (Peoples Gas BOE, p. 14; Attachment A, p. 7.) Staff has no objection to Peoples Gas’ Exceptions 5 and 6.

**II. CONCLUSION**

For the foregoing reasons, Staff of the Illinois Commerce Commission respectfully requests that its recommendations be adopted in this proceeding and that the Proposed Order be modified as set forth in this Reply Brief on Exceptions and Staff’s Brief on Exceptions.

Respectfully submitted,

A handwritten signature in black ink that reads "Linda M. Buell". The signature is written in a cursive, flowing style.

LINDA M. BUELL

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Commerce Commission

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